

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4353-01
BILL NO.: HB 1910
SUBJECT: Proportional Reduction in State Funded Child Care Assistance
TYPE: Original
DATE: February 25, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$3,743,926)	(\$8,604,241)	(\$12,863,478)
Total Estimated Net Effect on <u>All</u> State Funds	(\$3,743,926)	(\$8,604,241)	(\$12,863,478)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services - Division of Family Services (DFS)** stated this proposal requires that when the income of a person receiving state-funded child care assistance exceeds the department limits, the child care assistance must be reduced in proportion to the excess, rather than wholly discontinued as under current law.

The DFS assumes the current child care population is to remain stable at 43,473 children per month and seventy percent (70%) of the child care population resides in an employed household. The DFS also assumes an average of 1,662 children leave the child care roles each month, and 70% of this population left due to employment. They also assume the number of children receiving child care will increase each year as more children remain eligible for a longer period of time. A household with two children becomes ineligible for child care when earnings reach \$8.25 per hour. The DFS further assumes children will continue to be eligible for child care based on the sliding fee scale for at least 4.7 years if earnings increase by \$.50 per hour every six months.

Assuming the current average monthly cost of \$205 will be reduced to \$183 as a result of the proportionate reduction based on the individual's income, the DFS provided the following costs:

1,662	Children leaving child care roles monthly
x 70%	Percent of population residing in employed households
1,163	Monthly number of children in employed households leaving child care roles
x 183	Average monthly cost of child care
\$ 212,829	Total additional monthly cost of child care
x 12	Months per year
<u>\$ 2,553,948</u>	Total cost of new eligibles for FY 2001

Assuming children currently eligible under 127% of poverty will continue to receive child care in FY 2002 and 2003, and 1,163 new eligible children from FY 2001 will continue to be eligible, and for each subsequent year an additional 1,163 children will remain eligible for child care, the DFS provides the following cost calculations for FY 2002 and FY 2003:

\$ 2,53,948	Annual cost of new eligibles
x 2	(1,163 eligibles from FY 2001 and 1,163 eligibles from FY 2002)
<u>\$ 5,107,896</u>	Total cost for new eligibles for FY 2002
\$ 2,553,948	Annual cost for new eligibles
x 3	(2,326 eligibles from FY 2001 and FY 2002 and 1,163 eligibles from FY 2003)
<u>\$ 7,661,844</u>	Total cost for new eligibles for FY 2003

ASSUMPTION (continued)

The DFS would require additional employees to handle the increased caseload. Based on anticipated additional cases of 13,956, 27,912, and 41,868 in FY 2001, 2002, and 2003, respectively, the DFS would need 29 Caseworkers (\$26,424) and three Income Maintenance Supervisors (\$32,256) and eight Clerk Typist II's (\$19,452) each year in FY 2001, FY 2002, and FY 2003 to handle the progressively increasing workloads.

The Caseworkers would take and process applications for eligibility, respond and answer both written and telephone requests for information or reported changes, complete investigations to determine ongoing eligibility and maintain all active case files.

The IM Supervisors would be responsible for supervising clerical and caseworker staff, assigning and directing work, making recommendations, assisting in staff selection, and participating in management planning.

The Clerk Typist II's would maintain reports, type letters, file, accept incoming phone calls and other clerical duties. All costs are allocated to the General Revenue Fund as federal child care funds are exhausted.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Costs - Division of Family Services</u>			
Personal Service	(\$869,774)	(\$2,140,501)	(\$3,291,021)
Fringe Benefits	(\$267,456)	(\$658,204)	(\$1,011,989)
Expense and Equipment for FTE	(\$479,257)	(\$697,640)	(\$898,625)
Child Care Costs	<u>(\$2,127,439)</u>	<u>(\$5,107,896)</u>	<u>(\$7,661,844)</u>
Total <u>Costs</u> - Division of Family Services	<u>(\$3,743,926)</u>	<u>(\$8,604,241)</u>	<u>(\$12,863,478)</u>
ESTIMATED EFFECT ON GENERAL REVENUE FUND	<u>(\$3,743,926)</u>	<u>(\$8,604,241)</u>	<u>(\$12,863,478)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2001 (10 Mo.)	 FY 2002	 FY 2003
	\$0	\$0	\$0

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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal provides for a proportional reduction in state-funded child care assistance for persons whose income or assets exceed the prescribed limits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services

A handwritten signature in black ink, appearing to read "Jeanne Jarrett", with a stylized, cursive script.

Jeanne Jarrett, CPA
Director
February 25, 2000